



FINANCIAL RELATED AUDIT WESTSIDE ELEMENTARY TURNOVER AUDIT



December 9, 2003

Roanoke City School Board Audit Committee
Roanoke, Virginia

We have completed a turnover audit of Westside Elementary School's Activity Funds as of October 31, 2003. The audit was performed in accordance with generally accepted government auditing standards.

BACKGROUND

In the audit of Westside Elementary School's Activity Funds for the fiscal year ended June 30, 2003, we had to disclaim an opinion on the financial statements due to the School having incomplete records and its failure to follow required control procedures. The School Administration removed the responsible bookkeeper and hired a retired bookkeeper to serve the school while a permanent replacement was being recruited.

At the September 9th Roanoke City School Board Audit Committee meeting, the Committee asked that the Auditing department perform a turnover audit at Westside when a permanent bookkeeper was hired. The new bookkeeper began at Westside Elementary School on October 27th, at which time we initiated the turnover audit. At that time, we notified the School Board Audit Committee Chair and the School Administration that we would be performing the audit.

We visited the school on October 27th and found that the records were not yet organized for transfer to the new bookkeeper. The Human Resources department and Fiscal Services had decided to retain the temporary bookkeeper through November 7th to assist in orienting the new bookkeeper, help with the month-end closing of the books, and address any remaining past due bills. We decided to delay the audit until the following week, Monday, November 3rd, to allow time for final preparations for turning over the responsibilities to the new bookkeeper.

OBJECTIVES

This audit was designed to provide assurance that the required accounting procedures were being followed, the related records were in good order, and all activity fund monies were properly accounted for at the time bookkeeping responsibilities transferred to the new bookkeeper.

METHODOLOGY

We began the audit by interviewing the Principal, Bookkeeper, and a number of teachers to determine if certain issues from the year-end audit had been addressed. We reviewed the general ledger in detail to identify accounts and transactions that should be included in detailed testing. Based on this information, we outlined the key areas that the audit should focus on and developed a test program. Our test program was essentially as follows:

- We confirmed the bank balance as of October 31, 2003 with Wachovia Bank and also asked for the names of all authorized signatories on the account.
- We completed a proof of cash as of October 31, 2003, verifying that the activity recorded in the accounting system agrees with the deposit and withdrawal activity reported by the bank.
- We reviewed the accounting files to determine if required monthly reports had been completed on time and were on file.
- We reviewed the open purchase orders from September, copier related expenditures, and unpaid invoices on file to determine if all bills due had been paid.
- We reviewed certain vending revenues to verify that all commissions expected to be received were remitted by the vendors and deposited in the school's bank account.
- We reviewed the deposit registers and receipts journals for October, and verified that all monies remitted to the school office through October 31, 2003 were deposited and recorded in the accounting records.
- We evaluated the level of expenditures from the allotment funds using the month end financial and encumbrance reports to determine if allotment funding has been expended at a reasonable pace to ensure currently enrolled students receive the benefits.

We conducted our test work at the School on Monday, November 3, 2003, with additional work performed from our office through Friday, November 7th.

SCOPE

Our audit was conducted on the records as of November 3, 2003 and primarily covered transactions from July 1, 2003 through October 31, 2003. We did verify certain vendor commissions from July 1, 2002, through October 31, 2003. We also reviewed certain invoices and vendor statements received November 3, 2003.

RESULTS

We found that the bank account had been properly reconciled through September 30, 2003. All required monthly reports were completed on time and were on file through September 30, 2003. School staff had been in-serviced on how to manage class room collections and the requirements for requesting purchases using activity funds. Teachers have been receiving original receipts that verify the money they've remitted was properly entered into the accounting records. This is a primary control that was neglected last year that is being followed this year. Vending commissions remitted to the school as reported by the vendors agreed to the accounting records. We also found that allotment funding is being expended at a reasonable pace this year, with 63% of available funding committed at October 31, 2003. Teachers also indicated that they had agreed on a budget strategy for spending their allotments and that they had the classroom supplies they needed this year.

We did identify the following issues that the School Administration is addressing:

Finding 01 – File Organization

The accounting files were not organized in binders as recommended by Fiscal Services and our department at the end of the June 30, 2003 audit. Filing documents such as invoices and teacher remittances in three ring binders would reduce the risk that documents will be lost or become disorganized.

Agreed Upon Action 01 – File Organization

Westside will establish and use binders for 1) Receipts, 2) Disbursements, 3) Transfers and Adjustments, and 4) Monthly Reports.

Finding 02 – Past Due Invoices and Open Purchase Orders

We reviewed all open purchase orders created in September and remaining open at October 31, 2003. We found that these older purchase orders had not been adequately monitored or researched. Of the 19 open purchase orders reported by the accounting system:

- 9 of 19 were not in the Bookkeeper's file and could not be evaluated.
- 5 of the remaining 10 were determined to be past due based on invoices, statement billings, and calls we made to the vendors. These totaled \$2,470.
- 4 of the 10 should have been expected to be received by now and should be researched to find out the status of the related orders.
- 1 of the 10 should be voided since the purchase was not made due to the vendor closing the School's account.

Additionally, we reviewed paid invoices in the "Copier" account and followed up with calls to the vendors. We determined that approximately \$3,900 in lease payments and supply purchases are past due.

Some of these purchases were from the summer bid order and were never completely certified by staff as having been received. This fact, along with the fact that invoices have been lost and a number of statement billings have been received, has contributed to the confusion and delay in resolving these bills. The procedures require payment to be held until staff certify orders are received on a packing slip or invoice, and that payment be made only on original invoices. In the case of these older bills, we suggest allowing Westside to pay based on statement billings.

Agreed Upon Action 02 - Past Due Invoices and Open Purchase Orders

Westside will pay the invoices and statements identified in order to clear the purchase orders. The Bookkeeper will research the missing purchase orders by identifying the original requestor and inquiring with them about the status of the order. The Bookkeeper will also routinely research open purchase orders that exceed thirty days in age to ensure timely reporting of received orders by staff and to ensure bills remain current.

Other, less substantial concerns have been conveyed by letter to management.

CONCLUSION

Based on the results of our audit work, we conclude that the required accounting procedures have been substantially followed with regards to the current processing of receipts and disbursements, as well as required reporting. Outstanding bills remain unpaid from June 2003 through September 2003 and have not been satisfactorily resolved. Additional steps need to be taken with regards to the bank account and the organization of the accounting files in order to conclude that the records are in good order for the new bookkeeper.

We would like to thank the Principal and staff at Westside for their cooperation and assistance during the audit. We also would like to thank Sara Reynolds, retired Bookkeeper, for her efforts in restoring Westside Elementary School's books and records to required standards.

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